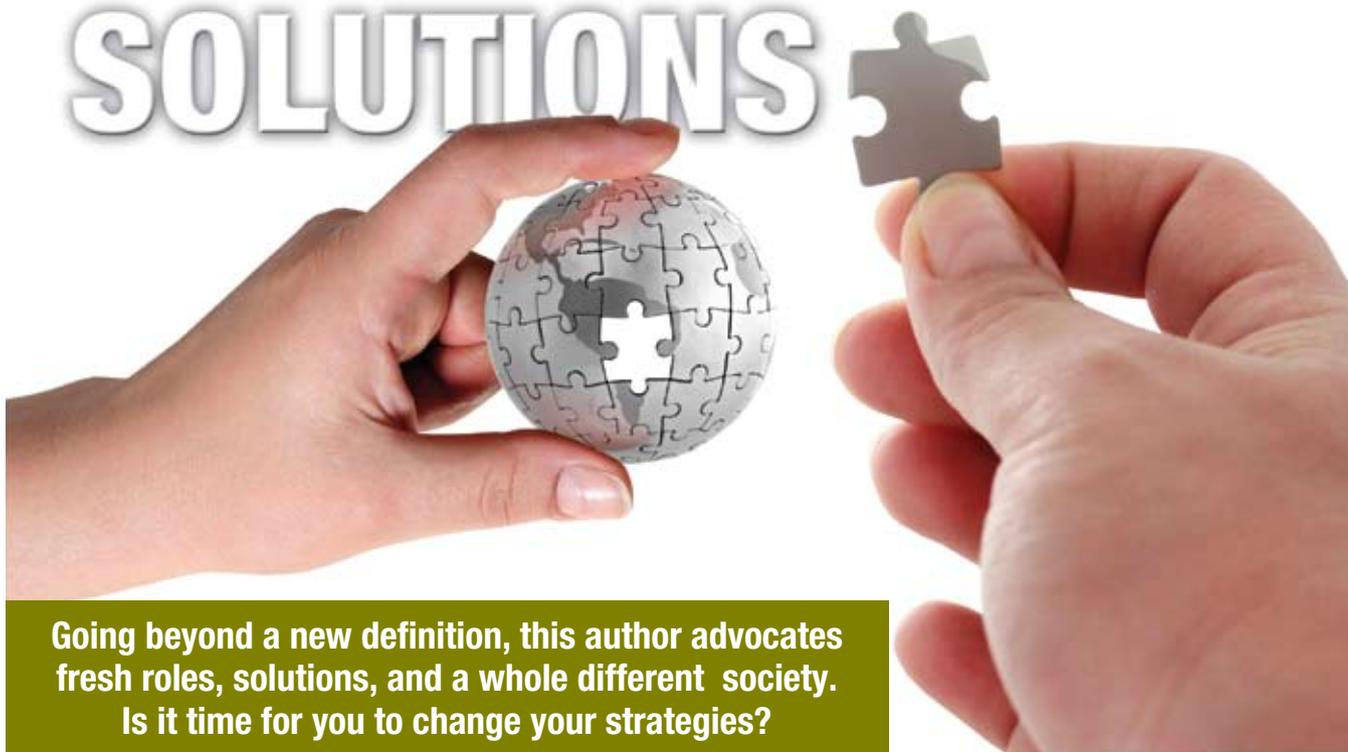


The Nonprofit Sector Doesn't Exist Or a New Way of Viewing the Social Economy

SOLUTIONS



Going beyond a new definition, this author advocates fresh roles, solutions, and a whole different society. Is it time for you to change your strategies?

By Trish Ruebottom

The nonprofit sector doesn't exist. I don't say this lightly. I work in the nonprofit sector. I believe in the solutions that embody the nonprofit sector's work. But "nonprofit" isn't an entity or an existence: It's one characteristic of a particular type of entity, and it relates to tax law — and that is all.

The Problem

The problem is that "nonprofit" has become a mentality, an identity, and a divider; it separates "us" from "them," "good" from "bad." This disconnect confuses the roles of the for-profit, nonprofit, and government sectors, diminishes

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responsibility, limits thinking, and blocks information sharing that could be used to solve problems. It allows companies to go about their business without concern for the community in which they operate; it allows government to govern in the best interest of those other than its people; and it lets charities operate without considering value or innovation.

The state of the world is our common challenge, and we need to work together, learn from each other, and be accountable to communities and the people who live in them. Community problems require new solutions, which can be forged only when every part of society works together. Businesses must be aware of their impact on the world; nonprofits must use knowledge from the for-profit sector to increase effectiveness; and government must focus on serving the people, not either of the other two sectors.

A few years ago, the social economy (or social enterprise) movement was heralded as a first

step toward integrating the three sectors. It began as a few innovative nonprofits launching revenue-generating solutions, combining social purpose with business sense and market activity.¹ But the movement is currently in danger of segregating itself to the point of stagnation, ignoring the deeper point that *all* players should be continuously learning from each other, thinking beyond their sector to serve their communities. The social economy has stopped being a connection between sectors and has instead become its own sector, the “fourth sector.”

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Scanning the Internet, you’ll find many articles that seek to further define this new sector. One definition, for example, states that social enterprises “have a social purpose, engage in trade, have no private profit distribution, hold assets for community benefit, have democratic structures, and [are] accountable to stakeholders.”² Nonprofits are described, in contrast, as “occupying a distinctive social space outside of both the market and the state.”³

The new practices of the social economy are often described negatively with words such as “a blurring of boundaries” leading to “tension” and “confusion” of expectations.⁴ Defining the social economy as its own sector minimized these concerns. There is legitimacy in definition; there is comfort.

But the problems aren’t comfortable. And so the solutions cannot

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be either. The problems are ingrained in the mainstream, and so the solutions must be found in the re-imagining of the mainstream.

As Jed Emerson points out: “Over the past years, there has been a great deal of debate regarding whether nonprofit organizations should engage in revenue generation and corporations be held responsible for social performance. And there are those other discussions about whether a grant can be thought of as an investment and if the nonprofit sector [is] a capital market or just a charitable mess Value is non-divisible. It is Whole. You cannot put social value with nonprofits and economic value with for-profits and pretend that somehow that makes sense.”⁵

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The Solution

The social economy as it stands now is not the solution. But it could be. The social economy must stop narrowing its own definition and be thought of in an entirely new light. It must be seen for what it could be — not a sector but much larger. It must *be* the mainstream, the society in which we all operate, the economy that provides us with the goods and services we want and need. The social economy must be the subjugation of all activities (for-profit, not-for-profit, or anywhere in between) to the social good.

By broadening our definition of the social economy, and subjugating companies and organizations, we now have a lens through which to consider our communities and our activities within those communities. Even business was created for a social purpose: Business was granted its “personhood” by the

people to perform tasks and take responsibilities for roles which the people couldn’t perform on their own. And profit was the incentive for investment to create things bigger than ourselves.

The authors of *Open Boundaries: Creating Business Innovation Through Complexity* put it this way: “The meaningful question — it may be the only question that can be asked of any business in terms of the possible existence of that business in society — is, What does that business contribute, and what is the form of the contribution to the social system as a whole?”⁶

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Is this question any different from what you expect of nonprofit organizations? By removing the very terms “nonprofit” and “for-profit,” we bring together the value of each of the sectors; we facilitate sharing, broaden our thinking, and clarify our role in serving the community. But doing so requires shedding the identity that “non-profit” has become and stepping out of the shadows into the mainstream.

This view emphasizes the interconnections of all the pieces that make up our society, the interactions of each “sector” with each other “sector” and the sectors with the people. We need to move all three sectors back to where they came from, back into the communities they serve.

If an entity isn’t serving the people, who is it serving? And why do the people allow it to continue? This is not a neo-Marxist attempt to rid us of capitalism. Profit does serve the people — and in some cases, serves the people better than the nonprofit or government sectors. It’s a matter of defining your business idea, be it “save the world” or “make a better widget,”

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and then choosing the capital structure that allows you to best achieve this goal from within a continuum of possible structures.

How We Do It

Here are three actions we can take to integrate sectors:

1. Redefine Ourselves. We must let go of the identities in which we have so much pride. It's a change of mindset; we must redefine ourselves under the broad umbrella of the social economy side by side with for-profit companies. Examine your current assumptions that come from the nonprofit identity. What happens if you're no longer a "nonprofit"?

Form follows function: Determine your business idea, and then choose the ideal mechanism to reach your goals. This may mean that you find yourself in a for-profit company trying to save the world. And it may mean that to make a better widget, you employ marginalized people and operate as a nonprofit. Either path is ok.

The world cannot be changed from the sidelines.

2. Clarify Roles and Responsibilities. All three "sectors" need to be granted legitimacy from the community. We must look to the people to confirm our right to exist. Profit can help people; it can accomplish things that can get done no other way. When profit can't help people, other methods are required. These trade-offs should be measured by the impact on people. Of course there will be conflict in defining which benefits supersede others and whose rights take precedence, but asking questions about roles is the way to begin the conversation, and the people are the right ones to answer these questions.⁷

When we clearly identify roles, we bring corporate social responsibility,

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the financial pressures of nonprofits, the good done by companies, and the wrong done by nonprofits out of the shadows and into the mainstream. We thus ensure that decisions about the right to exist and operate in the economy are based on a new economic goal: for the purpose of bettering society. This is the only way to truly change the world. The world cannot be changed from the sidelines, just as a game cannot be won from the benches.

3. Build New Networks. Once the borders have been removed, we must create new networks, focusing on the interdependence of all entities. When our identities aren't rooted in our "nonprofit" label, we can share more openly and without guilt, borrowing best practices and innovations wherever they may be found. Such an approach increases our alternatives.

The first step is to find and build on the networks that exist around you. There are formal and informal networks in and outside your organization and your industry. Tap into them all. Contribute to the conversation. Share best practices, lessons learned, stories, perspectives, ideas, resources. Even share with the for-profits. Connect to all parts of your community's system; engage both minority interests and the majority; and use the tools of all sectors. Opportunities come when you are open to possibility. Learn to listen.

After you've tapped into your existing networks, spread out to find different perspectives that will

lead to further innovations. Diverse networks and different perspectives will drive creativity and solve the world's unsolvable problems.

Look to your vision for the community. Who else shares this vision? These are your partners, formal or informal, acknowledged or not.

Work across sectors. Involve different stakeholder groups. Access trade associations and think tanks. And talk to your community. Build relationships with all those who have opinions on issues relevant to achieving your vision. Read *The Economist* and *Stanford Social Innovation Review*. Attend a conference on supply chain management for the manufacturing industry, and then bring the ideas to the social enterprise conference. Be open. Tell people the nonprofit sector doesn't exist. ■

Footnotes

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⁴Lewis, Mike, "Common Ground, CED and the Social Economy — Sorting out the Basics," *Making Waves*, (15), 1, <http://www.cedworks.com/files/pdf/free/MW150107.pdf>.

⁵Emerson, Jed, "It Is a BLEND.....NOT a Blur," *New Frameworks*, <http://www.blendblog.org/>.

⁶Sherman, Howard & Ron Schultz, *Open Boundaries: Creating Business Innovation Through Complexity*, Perseus Books, www.perseusbooksgroup.com.

⁷Ignatieff, Michael, *Human Rights as Politics and Idolatry*, Princeton University Press, www.pup.princeton.edu.

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